

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
UTILITIES BOARD

IN RE:  INTERSTATE POWER AND LIGHT COMPANY	DOCKET NOS. TF-03-358 WRU-03-42-150
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**ORDER APPROVING TARIFF AND GRANTING WAIVER**

(Issued August 21, 2003)

On July 21, 2003, Interstate Power and Light Company (IPL) filed a request with the Utilities Board (Board) for approval of a tariffed natural gas bill program and waiver of a provision in 199 IAC 19.10(3). On July 22, 2003, IPL filed the proposed tariff to implement the natural gas bill program. IPL proposes to establish a pilot program, known as "WorryProof Bill," to provide natural gas customers the choice of receiving a guaranteed and pre-determined annual natural gas bill, spread over 12 equal monthly payments, regardless of weather or changes in the price of natural gas. This program would be strictly voluntary and would not involve any mid-year adjustments or final true-up of a customer's bill. The proposed tariff has been identified as Docket No. TF-03-358 and the waiver request has been identified as Docket No. WRU-03-42-150.

On August 12, 2003, the Consumer Advocate Division of the Department of Justice (Consumer Advocate) requested the Board docket the proposed tariff. On August 13, 2003, IPL, Consumer Advocate, and Board staff met to address

Consumer Advocate's concerns. On August 18, 2003, IPL filed revised tariff sheets addressing the concerns raised by Consumer Advocate. On August 19, 2003, Consumer Advocate withdrew the request to docket the proposed tariff.

The guaranteed bill program is being offered by IPL in conjunction with WeatherWiseUSA, Inc. The program will be offered to eligible customers for the upcoming heating season and each customer will be provided a payment amount based upon past usage and projected weather conditions. A customer will be required to stay on the program for 12 months and then the customer may either renew participation or return to system gas supply.

Enrollment of customers in the program will be on a first-come first-serve basis and will be capped at an annual participation level to be determined prior to each program year. IPL is expecting that all eligible customers will receive a bill quote and will be given the opportunity to participate in the program. IPL intends to control marketing of the program with a goal of not reaching the cap until the end of the billing cycle. In the revision filed on August 18, 2003, IPL added language that states "[T]he Company may close enrollment at any time to a particular customer class if the gas supply procured and dedicated to the customer class is fully subscribed."

IPL states that program costs and revenues will be accounted for separately from system gas. This includes, but is not limited to, costs related to the purchased gas adjustment (PGA) factor and costs associated with gas supply and program administration. IPL states in the proposed tariff that non-participating customers will not be harmed by the implementation of this program. Gas supply costs will be kept

separate and a separate fixed price block of gas or financial hedges will be purchased to cover the demand under the program.

IPL proposes to split the costs of reservation charges related to storage, no-notice service, and pipeline transportation contracts, which will be known and fixed for all system supply for the program year, between program customers and non-participating customers. IPL will keep the costs of the program separate from PGA costs, including but not limited to gas costs, purchase options, and financial hedges. IPL proposes to estimate daily imbalances and prorate the costs of program customers based upon each program customer's share of daily consumption. IPL states that pipeline fuel and volumetric charges can be separately tracked and assigned to program customers, separate from the PGA. IPL proposes to estimate other common costs for gas supply based on a simple average of a recent 24 months of costs. IPL will allocate those costs to program customers.

IPL proposes to retain the risk from program costs and revenues below-the-line. IPL will include any initial costs to modify IPL's billing system and on-going costs to administer the program below-the-line and will recover administration costs through an administrative fee of 7 percent.

At the end of each year of the program, IPL will review the program based upon: 1) customer participation, 2) customer retention, 3) number of complaints, and 4) types of complaints. Criteria for acceptable levels for each of these areas will be established and provided to the Board as part of the reporting and review process.

The Board has reviewed the proposed pilot and finds that the program, as described in the proposed tariff as revised on August 18, 2003, is a reasonable attempt to provide customers with a choice that will remove the volatility in their heating bills. IPL will establish a mechanism that is reasonably designed to ensure that non-participating customers are not harmed by having to assume any of the costs of the program and IPL has stated that it will absorb any losses associated with the program.

The Board will approve the proposed tariff, as revised on August 18, 2003, to establish a two-year pilot program for a guaranteed bill program known as "WorryProof Bill." IPL will report the results of the program on an annual basis, or more frequently if appropriate. In a period of volatile gas prices and high gas bills, the program should provide an opportunity for some customers to protect themselves from that volatility, at a price.

As part of the approval process for the pilot program, IPL has asked that the Board waive a provision of 199 IAC 19.10(3) which governs the use of the PGA factor. Specifically, IPL is requesting the Board waive the provision that "[c]hanges in factors S and C may not be made in periodic purchased gas filing except to recognize changes between pipeline and non-pipeline purchases." The S factor represents the therms that are used as the divisor to set therm rates in the monthly PGA filing. IPL is seeking authorization to modify the S factor each month, if necessary, to reflect changes in the number of customers taking service under the guaranteed bill program. IPL states approval of the waiver will keep the PGA factor

at the appropriate level from month-to-month by applying a more appropriate divisor to gas costs when setting the rate.

To waive a rule the Board must find, based upon clear and convincing evidence, that the four criteria in 199 IAC 1.3 are met. Those criteria are: 1) the application of the rule would pose an undue hardship, 2) the waiver would not prejudice the substantial legal rights of any person, 3) the provisions waived are not specifically mandated by statute, and 4) substantially equal protection of public health, safety, and welfare will be afforded after the waiver.

The Board finds there is clear and convincing evidence that the four criteria in the subrule are met. The Board finds that the application of the rule would pose an undue hardship to IPL customers because without a waiver, the PGA factor would not be calculated using the appropriate divisor. The Board finds that the waiver will not prejudice the substantial legal rights of any person since IPL has established procedures intended to ensure that non-participating customers are not harmed by the guaranteed bill program. The Board finds that the provisions to be waived are not specifically mandated by statute. Finally, the Board finds that substantially equal protection of public health, safety, and welfare will be afforded after the waiver because IPL's PGA calculations will continue to be filed with the Board for review.

**IT IS THEREFORE ORDERED:**

1. The proposed tariff filed by Interstate Power and Light Company to establish a two-year guaranteed bill pilot program, on July 22, 2003, as revised on August 18, 2003, is approved.

2. Interstate Power and Light Company is granted a waiver of the provisions of subrule 199 IAC 19.10(3) as described in this order.

**UTILITIES BOARD**

/s/ Diane Munns

/s/ Mark O. Lambert

ATTEST:

/s/ Judi K. Cooper  
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 21<sup>st</sup> day of August, 2003.